



Ararat Rural City



Ararat Rural City

MINUTES

Audit and Risk Committee

Tuesday 02 April 2024

Location: CEO's Office,
59 Vincent St, Ararat

Commencing at 1:00 pm

Audit and Risk Committee:

Cr Bob Sanders (Mayor)

Cr Jo Armstrong

Ms Jessica Adler

Mr Robert Tommasini

Mr Greg Jakob

Mr Ryan Schischka

In attendance:

Dr Tim Harrison

Mr Bradley Ead

Ms Karissa Hogan

Mrs Chandra Willmott

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SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES

There were no apologies.

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed.

1.3 CONFIRMATION OF MINUTES

**MOVED JESSICA ADLER
SECONDED ROBERT TOMMASINI**

That the Minutes of the Internal Audit and Risk Committee Meeting held on 05 December 2023 be received.

CARRIED

SECTION 2- CEO UPDATE

2.1 CEO UPDATE – CONFIDENTIAL

RECOMMENDATION

That the CEO's report be received.

OUTCOME

That the CEO's report be received.

NOTED

ATTACHMENTS

There are no attachments in relation to this item.

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 QUARTERLY PERFORMANCE REPORT

Aligns with Audit and Risk Committee Charter 5.6: Review the appropriateness of the format and content of periodic management financial reports and performance statements

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER
DEPARTMENT: CEO'S OFFICE

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The financial statements and performance indicators have been prepared for the period ended 31 December 2023.

Based on the information provided by responsible officers and managers Council's overall financial performance is in line with budget. It has been determined that a revised budget is not required at this stage.

DISCUSSION

Council must establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management.

Key Financial Information:

Income Statement (Attachment 1)

The Income Statement measures how well Council has performed from an operating nature. It reports revenues and expenditure from the activities and functions undertaken, with the net effect being a surplus or deficit. Capital expenditure is excluded from this statement, as it is reflected in the Balance Sheet.

Attachment 1 shows that Council generated \$20.873 million in revenue and \$17.305 million in expenses to 31 December 2023. This has resulted in an operating surplus of \$3.568 million for the six months ended 31 December 2023.

Income

Rates and charges account for 63% of the total budgeted income for 2023/24. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of \$17.527 million has been recognised as income for the six months ended 31 December 2023.

User fees account for 5% of the total budgeted income for 2023/24 and \$0.882 million has been received to 31 December 2023. The majority of this relates to transfer station fees, fitness centre income and commercial waste management charges.

Recurrent Operating Grants total \$0.699 million to 31 December 2023, including \$0.100 million from the Victorian Local Government Grants Commission for general purpose grants and \$0.064 million for the local roads grants.

Non-recurrent Operating Grants total \$0.812 million to 31 December 2023. Council has been successful in obtaining several grants that had not been budgeted for, as detailed in the table below. The amounts shown as unearned income will be treated as income in future accounting periods once the performance obligations of the grant have been met.

	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Non-Recurrent Operating Grants			
New Arrivals Settlement Program	-	44	-
Pilot Coordination Grampians Workforce	-	50	-
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	402	552
Free Public WiFi Services	-	-	1,149
Rural Roads Support Program	-	-	56
Supported Playgroups	63	33	-
Kindergarten Infrastructure and Services Plan (KISP) Support Grant	-	30	-
Power our Future!! Tatyoon Recreation Reserve	-	20	-
Natural Disaster Relief	-	39	-
Planning & Data Development	-	93	-
Wage Subsidy Grants	-	57	-
Other Minor Grants (under \$20,000)	6	44	19
	69	812	2,076

Non-recurrent Capital Grants total \$0.295 million to 31 December 2023, as detailed in the table below. The amounts shown as unearned income will be treated as income in future accounting periods once the performance obligations of the grant have been met.

	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Non-Recurrent Capital Grants			
Ararat East Development Zone Trunk Infrastructure Project	-	295	124
Local Roads & Community Infrastructure-Roads Grant	-	-	922
	0	295	1,046

Note

It is important to note the following:

1. The Grants Operating (recurrent) figure in the Original Budget was \$7.677 million and in the Current Budget is recorded as \$0.191 million, as \$7.426 million was paid to Council in 2022/23 by the Victorian Local Government Grants Commission (VLGGC) for the 2023/24 financial year. Council has still received the expected VLGGC income, to be spent in 2023/24, however it will be reported over two financial years. Council also received \$0.060 million funding in advance for the Municipal Emergency Response Plan which has also been adjusted in the current budget.
2. Unearned revenue received in prior years has been adjusted between the Original Budget and Current Budget with an additional \$2.593 million for Grants Operating (non-recurrent), \$0.056 million for Grants Capital (recurrent) and \$0.419 million for Grants Capital (non-recurrent) included in the Current Budget on the assumption that each of the grant projects will be completed during the 2023/24 financial year.

3. These changes in the budget, plus the note reported under expenses, create a change in the reported surplus position from a projected surplus of \$1.296 million to a deficit of \$6.812 million for 2023/24. The year-end variance is a surplus of \$0.162 million when the actual year to date expenses are compared to the year to date budget.

Expenses

Employee Costs account for approximately 41% of the total budgeted expenditure for 2023/24. For the six months ended 31 December 2023 Council has incurred \$6.043 million in employee costs.

Materials and Services account for approximately 29% of the total budgeted expenditure for 2023/24. For the six months ended 31 December 2023, Council has incurred \$6.354 million in materials and services costs. There are a number of projects, including those carried forward from 2022/23 that are expected to be completed before the end of the financial year.

Note

It is important to note the following:

There has been an increase in expenditure on materials and services from \$8.035 million in the Original Budget to \$11.555 million in the Current Budget for 2023/24. This has resulted from a carry forward amount of \$3.520 million from the 2022/23 financial year surplus and unspent grant funds which will be used for additional activity in 2023/24. Additionally, there has been an increase of \$0.170 million in employee costs from \$11.134 million in the Original Budget to \$11,304 million in the Current Budget with some grant-funded projects requiring additional staffing to meet the requirements of the grant.

Balance Sheet (Attachment 2)

The Balance Sheet is one of the main financial statements and reports Council's assets, liabilities and equity at a given date, in this case 31 December 2023. Comparative figures have been provided as at 30 June 2023.

Council's current assets have increased by \$0.287 million from \$24.057 million as at 30 June 2023 to \$24.344 million as at 31 December 2023. Cash and cash equivalents have decreased by \$10.584 million from \$11.457 million to \$0.873 million, with another \$8.000 million held in a term deposit and now classified as a financial asset. Trade and other receivables have increased by \$10.846 million from \$4.509 million as at 31 December 2022 to \$15.355 million as at 31 December 2023.

Total liabilities have increased from \$8.596 million in 2022/23 to \$9.114 million in 2023/24. Trade and other payables have decreased by \$0.396 million and trust funds and deposits have increased by \$0.114 million. Unearned income/revenue increased by \$0.111 million, and includes grants received by Council, where in accordance with accounting standards they are held as a liability until grant-related performance obligations have been met.

Statement of Cash Flows (Attachment 3)

The Statement of Cash Flows shows how changes in the Statement of Financial Position and Income Statement affect Cash and Cash Equivalents, and breaks down the analysis to operating activities, investing activities and financing activities.

The Cash and Cash Equivalents at the beginning of the financial year of \$11.457 million have decreased by \$10.584 million to \$0.873 million as at 31 December 2023. Council has a term deposit of \$8.000 million maturing in early January which is currently classified as a financial asset, and is no longer included in cash and cash equivalents.

Net cash of \$2.750 million was used in operating activities, \$7.682 million was used in investing activities, and \$0.152 million was used in financing activities.

Investing activities includes payments for property, plant and equipment, and infrastructure.

Financial Performance Indicators (Attachment 4)

The Local Government Performance Reporting Framework requires Councils to report various performance indicators at the end of each financial year.

A full list of financial performance indicators is included in Attachment 4.

Indicator	30/6/2023	30/9/2023	30/12/2023
<p>Working capital <i>Measure - Current assets compared to current liabilities.</i> Expected values in accordance with the Local Government Performance Reporting Framework 100% to 400% Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity</p>	322%	411%	334%
<p>Loans and borrowings <i>Measure - Loans and borrowings compared to rates.</i> Expected values in accordance with the Local Government Performance Reporting Framework – 0% to 70% Indicator of the broad objective that the level of interest-bearing loans and borrowings should be appropriate to the size and nature of a council’s activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations</p>	7.07%	6.85%	6.41%
<p>Indebtedness <i>Measure - Non-current liabilities compared to own source revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 2% to 70% Indicator of the broad objective that the level of long-term liabilities should be appropriate to the size and nature of a Council’s activities. Low or decreasing level of long-term liabilities suggests an improvement in the capacity to meet long term obligations</p>	5.47%	6.19%	9.58%
<p>Rates concentration <i>Measure - Rates compared to adjusted underlying revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 30% to 80% Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability</p>	51.46%	92.70%	85.22%
<p>Expenditure level <i>Measure - Expenses per property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework \$2,000 to \$10,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency</p>	\$4,616	\$1,191	\$2,348
<p>Indicator - Revenue level <i>Measure - Average residential rate per residential property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework - \$700 to \$2,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency</p>	\$2,006	\$2,005	\$2,003
<p>Indicator – Percentage of total rates collected</p>	90.2%	14.9%	31.5%

<p>The internal audit conducted in 2019 on Rates Revenue and Rate Debtor Management found no routine or regular reporting of large and long outstanding rates debtors.</p> <p>The outstanding Rates Debtors is reported in the Annual Financial report.</p> <p>As at 31 December 2023 the outstanding Rates Debtors totalled \$13.411 million compared to \$1.955 million as at 30 June 2023, an increase of \$11.456 million. In percentage terms 31.5% of the rates raised have been collected at 31 December 2023 compared to 33.1% up to 31 December 2022.</p> <p>Outstanding rates are currently charged 10% interest.</p> <p>Council issues approximately 7,900 rate notices. In 2023/24 there are 2,640 assessments paying by instalments compared with 2,843 assessments in 2022/23.</p>			
<p>Indicator – Asset Renewal & Upgrade <i>Measure - Asset renewal & Upgrade compared to depreciation</i></p> <p>Expected range in accordance with the Local Government Performance Reporting Framework – 40% to 130%</p> <p>Assessment of whether council assets are being renewed or upgraded as planned. It compares the rate of spending on existing assets through renewing, restoring, replacing or upgrading existing assets with depreciation. Ratios higher than 1.0 indicate there is a lesser risk of insufficient spending on Council’s asset base.</p>	90.93%	103.49%	130.69%

The Local Government Performance Reporting Framework provides “Expected ranges” for each indicator. The framework has been developed to consider results at the end of the financial year so some results during the year are outside the expected range due to the timing of receipts and payments.

Explanations are provided in Attachment 4 for those indicators that are outside the “expected ranges”.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

6 Strong and Effective Governance

We will work hard to build models of governance that place delivering public value at the centre through effective financial management; well measured risk management; and implementation of effective community engagement practices

6.1 Deliver responsible budget outcomes, linked to strategy, that deliver value, innovation, and rating fairness

Budget Implications

Council’s financial performance is in line with expectations. Council’s cash position was expected to reduce in the first half of the year to pay for the outstanding accounts at year end and the capital works program. Lump sum payment of rates are due on 15 February 2024.

Policy/Relevant Law

Section 97 – Quarterly Budget Report of the Local Government Act 2020 states:

- 1 As soon as practicable after the end of each quarter of the financial year, the Chief Executive Officer must ensure that a quarterly budget report is presented to the Council at a Council meeting which is open to the public.
- 2 A quarterly budget report must include—
 - (a) a comparison of the actual and budgeted results to date; and
 - (b) an explanation of any material variations; and
 - (c) any other matters prescribed by the regulations.

- 3 In addition, the second quarterly report of a financial year must include a statement by the Chief Executive Officer as to whether a revised budget is, or may be, required.

Sustainability Implications

This report does not raise any sustainability implications.

Risk Assessment

Council is required to establish and maintain a budgeting and reporting framework that is consistent with the principles of sound management and this report assists Council in meeting that requirement.

Innovation and Continuous Improvement

The content of the Quarterly report is continually reviewed to ensure meaningful data is provided.

Stakeholder Collaboration and Community Engagement

Council's financial performance reports are published quarterly.

RECOMMENDATION

That the:

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 31 December 2023 be received and adopted.

OUTCOME

That the:

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 31 December 2023 be received and adopted.

NOTED

ATTACHMENTS

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators are provided as Attachment 3.1

ACTION: That a copy of the Quarterly Performance Report for the period ended 31 March 2024 be forwarded to the committee to review prior to the June Audit & Risk Committee meeting.

SECTION 4 – INTERNAL CONTROLS

4.1 COUNCIL POLICY REVIEW UPDATE

Aligns with Audit and Risk Committee Charter 5.7: Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment.

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

Council policies are reviewed on an ongoing and procedure review process.

This report outlines the several Administrative and Council policies which are currently being reviewed.

DISCUSSION

Council has committed to reviewing policies through a review process to ensure that all Council policies meet legislative requirements and established internal processes.

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at Depot and Municipal Offices and on Council website.

The table below provides a list of the recently reviewed policies, noting the main changes made to the documents. Copies of the policies are provided as an attachment to this report.

Administrative / Council	Policy Title	Last Reviewed and Adopted	Current Review Date ready for Adoption	Next Review
Council	Audit and Risk Committee Charter Main Changes <ul style="list-style-type: none"> Change in officers role title 	21 July 2020	30 April 2024	December 2025
Council	Election Period Policy 2024 Main changes: <ul style="list-style-type: none"> Change in officers role title Change in dates affecting Election Period 	19 November 2019	30 April 2024	October 2027

RECOMMENDATION

That the Council Policy Review Update be received.

OUTCOME

That the Council Policy Review Update be received.

NOTED

ATTACHMENTS

Draft Audit and Risk Committee Charter and draft Election Period Policy 2024 are provided as attachment 4.1

ACTION: That a copy of the draft Election Period Policy 2024 be forwarded to the committee to review prior to the Policy going to the April Council meeting.

SECTION 5- RISK MANAGEMENT

5.1 STRATEGIC RISK REGISTER REVIEW AND RISK REGISTER PROGRAM UPDATE

Aligns with Audit and Risk Committee Charter 5.14: Review Council’s risk profile and the changes occurring in the profile from meeting to meeting

BACKGROUND

Council’s Strategic Risk Register is reviewed by the Chief Executive Officer on a regular basis and is presented to the Audit and Risk Committee.

DISCUSSION

The Chief Executive Officer ensures that strategic risks are identified and assessed, treatment options are prioritized and implemented, actions are assigned, and performance is monitored and reviewed.

A review plan of the Strategic Risk Register was presented to the Audit and Risk Committee on the 5 December 2023 and has commenced with the Fraud and Corruption; Cyber Attack and Asset Management being near completed. The bushfires over the past 7 weeks has delayed that completion.

The below table outlines the review periods for each of the strategic risks:

February 2024	Fraud and Corruption; Cyber Attack	July 2024	Legislative Compliance
March 2024	Asset Management	August 2024	Business Continuity
April 2024	Workforce planning	September 2024	Procurement; and Emergency Management
May 2024	Waste Management; and Occupational Health and Safety	October 2024	Financial Sustainability
June 2024	IT Infrastructure	November 2024	Strategic Leadership and Advocacy
July 2024	Governance	December 2024	Climate Change; and Records Management

Once the Risk Program is operational, the Governance and Risk Lead will work with Service owners to review the operational risks and set ongoing review dates. The below table outlines the timeframe for each of these reviews to take place over the next 6 months and training for key service providers in using the system.

Month	Service Area
April	Local Laws, Municipal Building Services, Planning, Environmental Health, Environmental Management and Sustainability
May	Depot, Waste management, Contracts and Procurement, Finance, Property Rates and Valuation,
June	Design and Project Management, Information Technology, Asset Management, Records Management, Graphic Information Systems,
August	Maternal & Child Health, Occupational Health and Safety, Library Service, Events, Human Resource, Customer Services
September	Art Gallery / TAMA, Sport and recreation, Tourism, Town Hall, Media and Communications, Economic Development

October	Risk Management, Governance, Emergency Management, Insurance Management
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RECOMMENDATION

That the Strategic Risk Review and Update Report be received.

OUTCOME

That the Strategic Risk Review and Update Report be received.

NOTED

ATTACHMENTS

The Strategic Risk Register is provided as Attachment 5.1

ACTION: That the timeframe for the outlined strategic risk review be modified to shift the business continuity forward and to make the risks that are medium to high a priority.

5.2 PRESENTATION OF RISK MANAGEMENT SYSTEM

Aligns with Audit and Risk Committee Charter 5.9: Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile.

The Risk Management System was presented by Glenn Carman – Organisation Transformation.

5.3 COUNCIL RISK MANAGEMENT POLICY REVIEW UPDATE

Aligns with Audit and Risk Committee Charter 5.12: Review annually the effectiveness of Council’s risk management framework

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

Council policies are reviewed on an ongoing and procedure review process.

This report outlines the several Administrative and Council policies which are currently being reviewed.

DISCUSSION

Council has committed to reviewing policies through a review process to ensure that all Council policies meet legislative requirements and established internal processes.

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at Depot and Municipal Offices. And on Council website.

The table below provides a list of the recently reviewed policies, noting the main changes made to the documents. Copies of the policies are provided as an attachment to this report.

Administrative / Council	Policy Title	Last Reviewed and Adopted	Current Review Date ready for Adoption	Next Review
Council	Risk Management Policy <ul style="list-style-type: none"> Update charts 	21 September 2021	30 April 2024	December 2025
Council	Risk Management Framework <ul style="list-style-type: none"> Updated officer role title Update Risk register system name and removed RelianSys Update relevant Acts 	21 September 2021	30 April 2024	December 2025

RECOMMENDATION

That the Council Policy Review Update be received.

OUTCOME

That the Council Policy Review Update be received.

NOTED

ATTACHMENTS

Copy of draft Risk Management Policy and draft Risk Management Framework is provided as Attachment 5.3

SECTION 6- FRAUD PREVENTION

6.1 COUNCIL FRAUD AND CORRUPTION POLICY REVIEW UPDATE

Aligns with Audit and Risk Committee Charter 5.18: Review Council’s Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

Council policies are reviewed on an ongoing and procedure review process.

This report outlines the several Administrative and Council policies which are currently being reviewed.

DISCUSSION

Council has committed to reviewing policies through a review process to ensure that all Council policies meet legislative requirements and established internal processes.

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at Depot and Municipal Offices and on Council website.

The table below provides a list of the recently reviewed Fraud and Corruption Policy and Framework, noting the main changes made to the documents. Copies of the policies are provided as an attachment to this report.

Administrative / Council	Policy Title	Last Reviewed and Adopted	Current Review Date ready for Adoption	Next Review
Council	Fraud and Corruption Control Policy <ul style="list-style-type: none"> Change in officers role title Updated Australian Standards 	28 June 2022	30 April 2024	December 2025
Council	Fraud and Corruption Control Plan <ul style="list-style-type: none"> Change in officers role title Updated Australian Standards 	28 June 2022	30 April 2024	December 2025

RECOMMENDATION

That the Council Policy Review Update be received.

OUTCOME

That the Council Policy Review Update be received.

NOTED

ATTACHMENTS

Copy of the draft Fraud and Corruption Control Policy and the draft Fraud and Corruption Control Plan is provided as Attachment 6.1

SECTION 7- INTERNAL AUDIT

7.1 INTERNAL AUDIT- AUDIT REVIEW OUTCOMES UPDATE

Aligns with Audit and Risk Committee Charter 5.27 Monitor actions by management or internal audit findings and recommendations

BACKGROUND

Council appointed AFS & Associates from Bendigo as Council's Internal Auditors. Council has reviewed the recommendations made by the Internal Auditor in relation to the internal audit reviews and these are presented as an attachment to this report.

DISCUSSION

An Audit Review Outcomes Action Plan was developed to capture the recommendations highlighted in the various internal audits conducted by AFS.

The Audit Review Outcome Action Plan lists the recommendations and subsequent outcomes and projected completion dates.

RECOMMENDATION

The Audit Review Outcomes Update report be received.

OUTCOME

The Audit Review Outcomes Update report be received.

NOTED

ATTACHMENTS

The Audit Review Outcomes Update report is included as Attachment 7.1

ACTION: That when working on the list of outcomes from the internal audits, that there is a focus on the high and moderate ratings.

7.2 REVIEW AND APPROVED THE STRATEGIC INTERNAL AUDIT PLAN, THE ANNUAL INTERNAL AUDIT PLAN

Aligns with Audit and Risk Committee Charter 5.23 Review progress on delivery of annual internal audit plan and 5.24 Review and approve proposed scopes for each review in the annual internal audit plan

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. This report outlines the audit program that AFS has undertaken over the past three years.

DISCUSSION

AFS & Associates have provided the Internal Audit Program Review document which outlines the forward rolling four-year program for Council.

The purpose of this review is to :

- Confirm the priority areas for 2024 – 2025
- Develop a draft Strategic Internal Audit Program (SIAP), including current status of topics and scopes for approaching topics
- Review the proposed scopes for
 - Asset Management – Infrastructure
 - Customer Request and Complaints Management

RECOMMENDATION

The Strategic Internal Audit Program Status Update report be received.

OUTCOME

The Strategic Internal Audit Program Status Update report be received.

NOTED

ATTACHMENTS

The Strategic Internal Audit Program Status Update report is provided as Attachment 7.2

ACTION: That the MCH internal audit be forward to the committee

7.3 INTERNAL AUDIT – SERVICES PERFORMANCE – MEASURING, REPORTING AND MONITORING

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Services Performance.

DISCUSSION

The objective of the review was to of this internal audit was to ensure risks are identified surrounding this function and internal controls are established and applied to appropriately prevent adverse events or respond to them to minimise any associated consequences.

The audit concluded there were 5 areas of strength and 2 areas rated as minor risks. The definition of a minor risk is low likelihood and/or consequence – attention within 12 months.

All recommendations suggested to management have been agreed to. An update on the progress of the agreed to action items will be provided at the April 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Service Performance Audit report be received.

OUTCOME

That the Service Performance Audit report be received.

NOTED

ATTACHMENTS

The AFS & Associates Audit of the Service Performance report is provided as Attachment 7.3

SECTION 8- EXTERNAL AUDIT

8.1 EXTERNAL AUDIT - AUDIT STRATEGY FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.31 Annually review and approve the external audit scope and plan proposed by the external auditor.

BACKGROUND

The Victoria Auditor General appoints a service provider to undertake the annual financial audit. Mr Ryan Schischka of Johnsons MME has been appointed by the Victoria Auditor-General's office to undertake the annual financial audit for the year ending 30 June 2024.

DISCUSSION

An audit strategy is currently being prepared to communicate to Council the proposed approach to the audit of its Financial Report and Performance Statement for the year ending 30 June 2024.

The Audit Act 1994 requires the Auditor-General to form an opinion on Council's Financial Report and Performance Statement.

When undertaking the financial audit, Section 3A of the Audit Act 1994 requires the Auditor-General to also consider the issues of waste, probity, and the prudent use of public resources.

The Performance Statement contains financial and non-financial data. Financial systems are predominantly established to capture financial data. Part of the audit is to review the systems that Council has in place to capture the financial data and non-financial data to ensure compliance with legislative requirements.

Mr Ryan Schischka of Johnsons MME will attend the meeting remotely to present the draft Audit Strategy

RECOMMENDATION

That Council distribute the audit strategy document to the Audit & Risk Committee members once complete.

OUTCOME

That Council distribute the audit strategy document to the Audit & Risk Committee members once complete.

NOTED

ATTACHMENTS

The draft Audit Strategy Memorandum is provided as Attachment 8.1

ACTION: That the interim audit management letter, and shell financial and performance statements be provided to the June Audit and Risk Committee meeting, along with a report addressing each point in the audit strategy.

SECTION 9- COMPLIANCE

9.1 JLT Public Sector – Top Cyber-Security Controls Review 2023: Ararat Rural City Council

Aligns with Audit and Risk Committee Charter 5.40 Receive reports from management on the findings of any examination by regulatory or integrity agencies.

BACKGROUND

Cyber risk is a highly dynamic environment and has been regularly identified by Local Government CEO's in the annual JLT Public Sector Risk Survey report as a top two risk. JLT Public Sector has created a laser-focused analysis of 12 Key Controls to assist in setting priorities within the Council.

DISCUSSION

There are 12 key controls assessed in which four of them scored greater than 80% meaning the adequate controls are in place across all or most categories of the specified area. While some controls may require attention or development, implementation has been largely achieved to an acceptable level.

Three of the key controls scored between 50-80% referring that, adequate controls are in place across some categories of the specified area. Numerous controls required further attention and priority to achieve an acceptable level of implementation.

The other five key controls rated below 50% suggest that there are inadequate controls in place across all or most categories of the specified area. Significant attention and development are required to achieve acceptable levels of implementation.

Of the 12 key components, 5 were an improvement on last year and by addressing the internal review outcomes, this will improve the overall control scores and cyber safety within Council.

RECOMMENDATION

That the Top Cyber-Security Controls Review report be received.

OUTCOME

That the Top Cyber-Security Controls Review report be received.

NOTED

ATTACHMENTS

JLT Public Sector – Top Cyber-Security Controls Review 2023 report is provided as Attachment 9.1

ACTION: This report is to come back to the June Audit and Risk Committee meeting with a clear report of response

SECTION 10- GENERAL BUSINESS

10.1 INDUSTRY UPDATE- RECENT REPORTS AND PUBLICATIONS OF INTEREST

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. AFS have provided an Industry Update report to be included in the agenda. The Industry Update report lists recent reports and publications that may be of interest to Ararat Rural City Council.

DISCUSSION

The Industry Update report lists 10 recent articles and reports, covering a range of different topics from sources such as: IBAC, IIA, and VAGO etc.

RECOMMENDATION

That the Industry Update report be received.

OUTCOME

That the Industry Update report be received.

NOTED

ATTACHMENTS

The Industry Update report is provided as Attachment 10.1.

10.2 VAGO RESULTS OF 2022-23 AUDITS: LOCAL GOVERNMENT

Aligns with Audit and Risk Committee Charter 5.40 Receive reports from management on the findings of any examination by regulatory or integrity agencies.

BACKGROUND

In the past the Victorian Auditor-General (VAGO) prepared a report on Local Government: Results of the previous financial year's audits. In March 2024 VAGO issues a report titled "Results of 2022-23 Audits: Local Government"

DISCUSSION

The report details matters arising from the 2022-23 financial and performance audits of the 79 Councils, 10 regional library corporations and 17 associated entities that make up the local government sector.

The report made 4 recommendations:

1. We recommend that all councils
 - Arrange for training or briefing sessions to be held with key internal stakeholders before the 30 June 2024 to enhance their understanding of the financial reporting process and their legislative obligations
 - Assess the adequacy of their financial reporting plan given their legislative obligations, namely:
 - Task allocation and timelines
 - The nature and timing of liaison with other business units
 - Quality assurance processes
 - Critically assess whether they have the resources and expertise to fulfil their financial reporting obligations throughout the year and, if not, that they consider engaging an external party.
2. We recommend that finance teams:
 - Prepare and present a paper to their audit and risk committee prior to 30 June each year that outlines the:
 - Requirements of the council's accounting policy with respect to property, infrastructure assets, plant and equipment
 - Approach to assessing the fair value of each class of property, infrastructure assets, plant and equipment, including the engagement of an expert valuer and key milestones.
 - Likely outcomes for the respective reporting cycle (expected movements in fair value and resultant impact on the financial report)
3. We recommend that the audit and risk committees:
 - prior to balance date, review the financial team's accounting paper
 - after balance date and at the time of reviewing the draft financial report
 - determine whether there have been any changes to circumstances that would indicate that key assumptions behind the financial team's initial advice and key judgements no longer hold true
 - assess the reasonableness of the valuation and fair value assessment outcomes
 - update their annual work plan to include the above tasks.
4. We recommend that councils:
 - prioritise and promptly address the internal control and financial reporting issues we raise with them and that their audit and risk committee monitor this
 - review the actions and timelines established to resolve internal control weaknesses, with a focus on older and higher risk findings.
 - For longer-term action plans, ensure adequate compensating safeguards are in place.

RECOMMENDATION

That the Results of the 2022-2023 Audit: Local Government report be received.

OUTCOME

That the Results of the 2022-2023 Audit: Local Government report be received.

NOTED

ATTACHMENTS

The Results of the 2022-23 Audit Local Government report is provided as Attachment 10.2

ACTION: Items 2 & 3 of the 2022-2023 Audit: Local Government report need to embedded into the yearly workplan, and a report presented to the June Audit & Risk Committee meeting to address the recommendations.

SECTION 11 – FUTURE MEETINGS

11.1 FUTURE MEETING DATES

Future meetings of the Audit and Risk Committee are scheduled as follows:

- Tuesday 4 June 2024 1pm
- Tuesday 3 September 2024 1pm
- Tuesday 3 December 2024 1pm

SECTION 12- NEXT MEETING/CHARTER ITEMS

April 2024	
Ref. from Charter	
5.10	Annual review to ensure that a program is in place to test compliance with systems and controls
5.11	Assess whether the control environment is consistent with Council’s Governance Principles
5.14	Review Council’s risk profile and the changes occurring in the profile
5.17	Review the approach to business continuity planning framework
5.18	Annually review Council’s Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs
5.21	Review the Internal Audit Charter regularly
5.22	Review and approve the strategic internal audit plan, the annual internal audit plan
5.23	Quarterly report to review progress on delivery of annual internal audit plan
5.24	Quarterly review and approve proposed scopes in the annual internal audit plan
5.25	Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
5.27	Monitor action by management on internal audit findings and recommendations
5.31	Annually review and approve the external audit scope and plan proposed by the external auditor
5.33	Quarterly review to ensure that managements responses to any external audit findings are acted upon in a timely manner
5.34	Quarterly review Victorian Auditor General’s Office (VAGO) reports to assess the impacts on Council

5.37	Review the systems and processes implemented by Council to monitor compliance with legislation and regulations. Management to report any instances of non-compliance
5.38	Annually review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code

June 2024		
Ref. from Charter		Ref. in Agenda
5.12	Review annually the effectiveness of Council’s risk management framework	
5.13	Review Council’s risk appetite statement	
5.14	Review Council’s risk profile and the changes occurring in the profile	
5.15	Review Council’s treatment plans for significant risks	
5.16	Review the insurance program annually prior to renewal	
5.23	Quarterly report to review progress on delivery of annual internal audit plan	
5.24	Quarterly review and approve proposed scopes in the annual internal audit plan	
5.25	Review reports on internal audit reviews, including recommendations for improvement arising from those reviews	
5.26	Meet with the leader of the internal audit function at least annually in the absence of management	
5.27	Monitor action by management on internal audit findings and recommendations	
5.28	Annually review the effectiveness of the internal audit function	
5.33	Quarterly review to ensure that managements responses to any external audit findings are acted upon in a timely manner	
5.34	Quarterly review Victorian Auditor General’s Office (VAGO) reports to assess the impacts on Council	

ACTION: To make sure that each Charter refence outlined for each meeting is addressed.